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LETTER DATED 7 FEBRUARY 1992 FROM THE PRESIDENT OF THE GOVERNING COUNCIL OF THE UNITED NATIONS COMPENSATION COMMISSION ADDRESSED TO THE PRESIDENT OF THE SECURITY COUNCIL

I have the honour to transmit herewith, for the attention of the Security Council, the following information on the fourth session of the Governing Council.

The Governing Council held its fourth session from 20 to 24 January 1992. As usual, its work was divided into plenary meetings and meetings of Working Group A, dealing with criteria for processing claims, and Working Group B, dealing with arrangements for ensuring that payments are made to the Compensation Fund.

At its 22nd plenary meeting, on 24 January, the Council reached a consensus on the establishment of ceiling amounts for compensation for mental pain and anguish suffered by claimants. Ceilings were established per claimant and per family unit, encompassing different situations. I enclose the text of the decision of the Council on this matter (S/AC.26/1992/8) (see annex I to the present document).

The Governing Council took note of a letter dated 16 January from the Permanent Mission of Iraq in Geneva submitting a report entitled "The financial obligations and existing needs of Iraq" and requesting a five-year grace period before initiating its contribution to the Fund. The Council decided to inform the Government of Iraq that questions concerning compliance with Security Council resolutions are of the competence of the Security Council and therefore the request should be addressed to it through the appropriate channels. Copies of these documents are attached (see annex II to the present document).

On the basis of the information provided by the Executive Secretary, the Council discussed the financial situation of the Commission and decided to inform the Security Council about it.

Representatives of Kuwait, Iraq and Turkey expressed their wish to address the Governing Council and, in accordance with paragraph 5 of the guidelines for the conduct of its work, the Governing Council invited them to do so at its 20th and 21st meetings, on 20 January.

The Council decided to suspend the session and to resume it as soon as possible on a date to be announced, to complete its discussions on "Compensation for business losses" on the basis of a working paper prepared by the Secretariat (S/AC.26/1992/WP.21).

(Signed) Alex REYN
President
Governing Council
United Nations Compensation Commission

Annex I

Decision taken by the Governing Council of the United Nations Compensation Commission during its Fourth Session, at the 22nd meeting, held on 24 January 1992*

Determination of Ceilings for Compensation for Mental Pain and Anguish

At its Third Session, the Governing Council examined the question of possible ceilings or fixed amounts for compensation for mental pain and anguish on the basis of a study prepared by the Secretariat (S/AC.26/1991/WP.18).

After having discussed the issue, the Governing Council decided to adopt ceilings rather than fixed amounts for compensation for mental pain and anguish, but postponed the actual determination of the amounts for the Governing Council's Fourth Session. In order to assist the Governing Council in its discussion of applicable ceiling amounts, the Secretariat prepared an information sheet on the number of potential claimants eligible for compensation for mental pain and anguish (S/AC.26/1992/CRP.5).

Following extensive exchanges on the subject, a consensus of opinion was reached resulting in the following formulations on ceiling amounts for compensation for mental pain and anguish:

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* Previously issued as a document of the United Nations Compensation Commission, under the symbol S/AC.26/1992/8 of 27 January 1992.

CATEGORY A: **A spouse, child or parent of the individual suffered death.**

US$ 15,000 ceiling per claimant;

US$ 30,000 ceiling per family unit.

CATEGORY B: **The individual suffered serious personal injury involving dismemberment, permanent or temporary significant disfigurement, or permanent or temporary significant loss of use or limitation of use of a body organ, member, function or system.**

US$ 15,000 ceiling for dismemberment, permanent significant disfigurement, or permanent loss of use or permanent limitation of use of a body organ, member, function or system;

US$ 5,000 ceiling for temporary significant disfigurement or temporary significant loss of use or limitation of use of a body organ, member, function or system.

CATEGORY C: **The individual suffered sexual assault or aggravated assault or torture.**

US$ 5,000 ceiling per incident.

CATEGORY D: **The individual witnessed the intentional infliction of events described in Categories A, B or C on his or her spouse, child or parent.**

US$ 2,500 ceiling per claimant;

US$ 5,000 ceiling per family unit.

CATEGORY E: **The individual was taken hostage or illegally detained for more than three days, or for a shorter period in circumstances indicating an imminent threat to his or her life.**

US$ 1,500 per claimant for being taken hostage or illegally detained for more than three days, or for a shorter period in circumstances indicating an imminent threat to life;

US$ 100 per day for each day detained in Iraq or Kuwait beyond three;

Ceiling of US$ 10,000 per claimant.

CATEGORY F: **On account of a manifestly well-founded fear for one's life or of being taken hostage or illegally detained, the individual was forced to hide for more than three days.**

US$ 1,500 per claimant for being forced to hide for three days;

US$ 50 per day for each day forced to hide in Iraq or Kuwait beyond three;

Ceiling of US$ 5,000 per claimant.

CATEGORY G: **The individual was deprived of all economic resources, such as to threaten seriously his or her survival and that of his or her spouse, children or parents, in cases where assistance from his or her Government or other sources has not been provided.**

US$ 2,500 ceiling per claimant;

US$ 5,000 ceiling per family unit.

These amounts are payable cumulatively where more than one situation applies with respect to particular claimants. However, the following overall ceilings will apply to total cumulative amounts available to claimants for payments for mental pain and anguish:

US$ 30,000 ceiling per claimant;

US$ 60,000 ceiling per family unit.

Annex II

Letter dated 16 January 1992 from the Permanent Representative of Iraq to the United Nations addressed to the President of the Governing Council of the United Nations Compensation Commission*

I am pleased to transmit herewith a report entitled "The financial obligations and essential needs of Iraq", dated 16 January 1992, which has been prepared in accordance with paragraph 19 of Security Council resolution 687 (1991) and covers the entire foreign currency amount required by Iraq to fulfil its obligations in terms of debt-servicing, repaying interest and having the necessary minimum to meet domestic consumer and investment demands, in addition to repair and reconstruction work on key projects damaged during the war which are particularly vital to the economic and social life of the Iraqi people. Such requirements amount to US$ 193.6 billion, including US$ 63.1 billion for debt-servicing and interest payments and US$ 130.2 billion to meet the requirements of the national economy, whereas Iraq's total revenues are not expected to exceed US$ 64.3 billion between 1992 and 1995, with petroleum constituting 98.7 per cent of such revenues.

The anticipated fall-off in Iraqi export revenues over the next four years (1992-1995) puts the Iraqi economy in an extremely difficult situation, as such revenues fail to cover Iraq's minimum financial obligations and its requirements in food and medicine alone.

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* Previously issued as a document of the United Nations Compensation Commission, under the symbol S/AC.26/1992/R.27 of 22 January 1992.

The Iraqi Government therefore requests a period of at least five years' grace to help meet the essential civilian needs of the Iraqi people at this time, and hopes that your esteemed Council will adopt a resolution in this regard.

I would be grateful if you would circulate this letter and its enclosure as an official document of the fourth session of the Governing Council of the United Nations Compensation Commission to be held at Geneva from 20 to 24 January 1992.

(signed) Barzan Al-Tikriti
Permanent Representative

Condensed summary

The financial obligations and essential needs of Iraq

The Iraqi economy faces large financial obligations and huge essential needs in the form of servicing its external debts, meeting food shortages, satisfying domestic consumer demand for foreign commodities and services, repairing war damage and investing to maintain the per capita income level and guarantee the stability and equilibrium of the national economy.

The following pages briefly set out, under main topics, Iraq's financial obligations in terms of its external debt-servicing, its essential foreign currency requirements and the infrastructural inadequacies from which the Iraqi economy suffers.

I. Financial commitments

Iraq's total external debts and obligations stand at ID 14,665 million (equivalent to US$ 47,058 million as at 31 October 1991), excluding interest. 1/

The following table shows the distribution of the balances of such debts and obligations according to the year when they fall due:

Distribution of the balances of debts and obligations

	ID million	Equivalent in US$ million 2/
Unpaid sums due		
1992	9 970	31 993
1993	1 590	5 102
1994	1 874	6 013
1995	819	2 628
Sums due post-1995	412	1 322
	14 665	47 058

The external debt problem with regard to the Iraqi economy lies not only in its size (constituting 65 per cent of the 1990 gross domestic product at 1989 prices), but also extends to the difficulty of servicing the debt, as 97 per cent of such debts fall due during the next four years.

1/ Interest on the external debt balance has been estimated in addition to the accumulated annual deficit at an annual interest rate of only 6 per cent, as shown in the appended table.

2/ ID 1 = US$ 3.208889.

II. Essential needs

This section comprises import programmes, the renewed stockpiling of food and essential commodities, the cost of repairing some of the war damage in the civilian Government sector, and the continued implementation of development projects which had been under way, in addition to net services.

The appended table shows that total obligations regarding the above items amount to ID 40.7 billion at an annual rate of ID 10.2 billion during the 1992-1995 period, the estimated total for such requirements in 1992 being ID 9.5 billion. These sums represent the minimum required to meet the needs of the Iraqi economy if life is to return to normal. A brief outline of the most important items among essential needs is as follows:

1. The import programme:

Total import programme allocations for the next four years are estimated to amount to ID 12.7 billion, including ID 2.7 billion for 1992 alone. The country's import requirements have been assessed on the basis of the 1989 programme, which was essentially one of austerity and concentration on basic commodities. The major amounts for import programmes during the coming period are as follows:

(a) Basic commodities (food and medicine):

The sum of ID 3,819 million has been allocated for food and medicine at an annual average of ID 955 million, equivalent to 30 per cent of the annual import programme allocations as compared with an allocation of ID 799 million in the 1992 programme for the import of basic food and medicine.

(b) Other consumer goods and raw materials:

The sum of ID 6,199 million has been allocated for these at an annual average of ID 1,550 million, constituting 48.7 per cent of the annual import programme allocations as compared with an allocation of ID 1,297 million in the 1992 programme for the import of other consumer goods and raw materials.

(c) Manufactured goods:

The sum of ID 2,711 million has been allocated at an annual average of ID 678 million, constituting 21.3 per cent of the total import programme allocations as compared with an allocation of ID 567 million in the 1992 programme for manufactured goods.

2. Renewed stockpiling (of food and essential commodities):

As a result of the economic embargo, the Government has depleted its strategic stock of food and raw and secondary materials. Iraq has adopted the practice of holding back the equivalent of 30 per cent of its imports as a contingency strategic stock reserve. For the purpose of re-stocking, a sum of

ID 890 million needs to be allocated for the 1992-1995 period. An allocation of ID 356 million is anticipated during 1992, constituting 13.4 per cent of the year's total imports.

3. Repair of war damage:

The war destroyed infrastructure and key projects affecting the country's economic and social life, creating a dangerous situation of vulnerability and backwardness which is expected to persist over a long period of time unless the repair of such war damage in the civilian sector is accelerated.

Our attention will be directed at the cost of reconstructing devastated projects which are particularly vital to economic and social life and where the damage is much lighter than the direct and indirect physical damage left by the war. The cost of reconstructing such projects is estimated at some ID 8 billion, including ID 6.4 billion in foreign currency, or the equivalent of 80 per cent of the cost. The expected allocation from this amount in 1992 is ID 92.1 billion. However, the cost does not include that of indirect damage, such as ceased production, various types of social and humanitarian damage, military damage, and damage to atomic energy installations and the military industry. Nor does it include damage to private-sector establishments.

4. Development plan obligations:

Total investment allocations for the 1992-1995 period amount to approximately ID 28.7 billion, including the minimum required to achieve an extremely slow average growth in gross domestic product (exluding petroelum) of no more than 3.4 per cent annually, which is very low if the annual population growth of 2.8 per cent is taken into account. Foreign currency constitutes some ID 17.2 billion of such allocations overall, representing 60 per cent of the total allocations at an annual average of ID 4,305 million during the said period. The foreign currency requirements of the economic and social development plan have been distributed over the plan years according to the following percentages:

22.2 per cent for the first year
24.7 per cent for the second year
29.6 per cent for the third year
23.5 per cent for the fourth year

III. Projected revenues

Iraq's petroleum revenues for the 1992-1995 period are estimated at ID 19.7 billion, including ID 4.4 billion in 1992.

Non-petroleum exports, on the other hand, are extremely limited and are not expected to exceed ID 270 million during the four-year period between 1992 and 1995.

IV. The gap between requirements and projected foreign currency revenues

In view of the information contained in sections I and II, the total amount of foreign currency required by Iraq to meet its obligations in terms of debt-servicing, paying interest and meeting minimum domestic consumer and investment demand, in addition to the repair and reconstruction of key projects damaged in the war which are particularly vital to social and economic life, amounts to ID 60.5 billion, including ID 19.8 billion for debt-servicing and interest payments, and ID 40.7 billion to meet the needs of the national economy. Total Iraqi revenues for the 1992-1995 period are not, however, expected to exceed ID 20.1 billion, of which petroleum constitutes 98.7 per cent as shown in the appended table. The gap between needs and expected foreign currency requirements will therefore reach an accumulated total throughout the period of some ID 40.5 billion at an annual average of ID 10.1 billion, whereas in 1992, the deficit is expected to reach ID 15.7 billion. The rise in the deficit above its annual average is due to the massive debt instalments payable this year and in previous years; such instalments represent all sums due in 1992 and previous years regarding which the deferral and method of payment have not been agreed.

The anticipated fall-off in Iraq's export revenues over the next four years places the Iraqi economy in an unenviable position since these revenues will not cover Iraq's minimum financial obligations and its requirements in food and medicine alone. This can be deduced from the figures indicating that Iraq's anticipated foreign currency expenditure on servicing its existing debt and paying interest due now and over the next four years and on covering its imports of food and medicine alone will amount to ID 24.5 billion, while its total revenues from 1992 to 1995 will stand at ID 20.1 billion as the following figures show:

	ID million 1992-1995	
Instalments due	14 253	
Interest	5 578	(at an annual 6 per cent average of the external debt balance)
Food and medicine imports	3 819	(on an FOB basis)
Renewed stockpiling of food and medicine	281	(three months' food and medicine consumption only)
Transport and freight fees	573	(representing 15 per cent of the value of food and medicine imports only)
TOTAL	24 504	
Export revenues	20 089	
Deficit	4 415	

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V. Other major essential problems facing the Iraqi economy

The main economic variables point to numerous economic problems and disruptions which distort the distribution of resources and hamper the return of economic activity to its normal levels with the required speed. The most significant problems are as follows:

1. The accumulated deficit in the overall State budget:

The accumulated deficit in the overall State budget at the end of 1991 was in the region of ID 46 billion, including ID 42.3 billion financed by the banking system, constituting 187.3 per cent of the 1990 gross domestic product at 1989 prices.

2. Inflation:

The percentage price increase expressed in the standard consumer price figure amounted to almost 515 per cent between 1988 and December 1991. In other words, the rate of inflation during the period was 415 per cent, with an annual inflation rate of 138 per cent, reflecting an inflation according to cashflow indices or the relationship between the cash supply and gross domestic product.

3. The slump in economic activity:

Most sectors and activities contributing to the gross domestic product have witnessed a decrease or slump in their added value at fixed 1989 prices whereby the rate of decrease in the gross domestic product reached some 17.6 per cent between 1989 and 1991, thus leading to an annual drop of almost 20 per cent in real per capita income, in addition to the negative effects of such a decrease on the real consumer and investment sectors of economic activity. The loss arising from missed alternative opportunities in 1991 is estimated to be ID 8.1 billion, equivalent to US$ 26 billion.

4. Gaps in the balance of payments:

The deficit in the balance of payments (current account) for the 1985-1990
period was approximately ID 8.8 billion, equivalent to US$ 28 billion, which was financed by external borrowing.

The current-account deficit for the same period is an estimated ID 8.8 billion.

5. External debts:

External debts and obligations have accumulated to a balance of almost US$ 47.1 billion as at 31 October 1991, excluding due interest payable and donations from Arab Gulf countries.

VI. Iraqi Government proposal

Based on the facts indicated in this report and cited above, which clearly reflect the enormous deficit and the huge gap between Iraq's financial obligations and needs on the one hand and the limited export revenues which it anticipates for 1992 in particular and for subsequent years on the other, and quoting the conclusion reached in the report by Mr. Ahtisaari, the United Nations Under-Secretary-General sent to Iraq, to the effect that "the recent conflict has wrought near-apocalyptic results upon the economic infrastructure ... Now, most means of modern life support have been destroyed or rendered tenuous. Iraq has, for some time to come, been relegated to a pre-industrial age ...", Iraq, with its current financial resources and those projected for 1992 and subsequent years, is incapable of singlehandedly restoring the economic and social life which prevailed prior to the events of 17 January 1991. Intense international efforts should be made to help Iraq speed up the return to normal. Accordingly, it is entirely unable to support any deduction from its petroleum export revenues during 1992 and the coming years, revenues which are sparse and insufficient to finance other than an extremely small portion of its financial obligations and essential needs, which paragraph 19 of Security Council resolution 687 (1991) unmistakably refers to as requiring consideration.

The Government of Iraq therefore requests a period of grace of at least five years to implement paragraphs 18 and 19 of the above Security Council resolution in order to facilitate its gearing of the economy in a manner which permits the fulfilment of its international financial obligations and its essential needs.

IRAQ'S FINANCIAL OBLIGATIONS AND ESSENTIAL FOREIGN CURRENCY REQUIREMENTS (in ID million)

USES	1992	1993	1994	1995	1990-91
I. Foreign debt-servicing (a+b)	10 674	2 703	3 476	2 098	19 031
a. Due instalments	9 970	1 590	1 874	819	14 253
b. Due interest	704	1 193	1 602	2 079	5 578
II. Needs of the economy (1+2+3+4+5)					
1. Import programme (a+b+c)	2 663	2 983	3 341	3 742	12 729
a. Foodstuffs	799	895	1 002	1 123	3 819
b. Other consumer goods and raw materials	1 297	1 451	1 627	1 822	6 199
c. Manufactured goods for the private sector	567	635	712	797	2 711
2. Renewed stockpiling programme	356	267	178	89	890
3. War damage repair	1 920	1 921	1 921	640	6 402
4. National development allocations	3 827	4 250	5 102	4 051	17 230
5. Net services	700	815	930	1 030	3 465
Total = I+II	20 140	13 027	14 938	12 450	60 555
Deficit	15 694	8 198	9 802	6 772	40 466

RESOURCES	1992	1993	1994	1995	1990-91
Petroleum revenues	4 416	4 769	5 056	5 578	19 819
Other exports	30	60	80	100	270
Overall total	4 446	4 829	5 136	5 678	20 089

* 1 ID = US$ 3.208809.

* Updated to 12 January 1992.